29th October 2024

Dear Prime Minister, Minister Butler and Minister Wells,

Older Australians Deserve Better Support at Home

As a diverse group of ten industry experts, service providers and aged care academics, we represent both the diversity of aged care services across Australia and the research evidence focused on successfully supporting older people to age at home.

We have come together due to our shared concerns about critical components of the aged care reform proposals for the new Support at Home program. Our message is older Australians deserve better home care services than proposed in the current reforms.

Our experience and the evidence clearly demonstrate that the recently announced Support at Home program is inadequate to enable many older people with diverse or higher needs to stay in their homes at the end of their lives.

The highest level of funding for individuals in the current proposals is just over half that the Royal Commission recommended. In addition, the new approach to funding for providers of Care Management falls significantly short of the actual costs incurred by a diverse range of organisations currently supporting older people at home.

The current proposed lower levels of home-based funding will create the perverse incentive for older people to enter residential care to get their needs met. We are calling on the government to implement the recommendation of the Royal Commission to match the level of home-based funding to that for older people in residential aged care.

The proposed program will create two tiers amongst older Australians who need support. Those who self-fund will be able to remain at home while older people with lower means will be forced into residential care. This will disproportionately impact older women with lower superannuation balances and a very diverse range of disadvantaged groups.

Supporting older people in their own homes is far less expensive and preferred by the vast majority. Better funding for Support at Home would meet both community expectations and the economic imperative of a long term sustainable aged care system.

Support at Home funding needs to be increased in 2 key areas:

1. **Individual Funding**

   The top level of funding for individuals needs to be increased from the proposed rate of $78,000 to the equivalent residential care funding - subtracting the facility related costs. This would better support people with dementia, those with more complex needs and people requiring palliative care to exercise their choice to remain at home.

   Using the Aged Care Royal Commission's recommended funding formula:

   The top level of Support at Home funding for individuals should be raised to $132,000.

2. **Care Management**

   The current Support at Home proposal is to cut Care Management fees to a 10% maximum of total package value.

   The latest DOHAC Quarterly Financial Snapshot of the aged care sector shows providers are currently charging Care Management at an average of 17%, where the maximum rate is currently set at 20%.

   The 17% average allows some providers to charge higher fees to take into account consumer preferences and the additional cost of rural service provision, organisational size and the disadvantage faced by groups such as First Nations and Torres Strait Islanders and CALD Australians.

The current system has successfully enabled consumer choice where older people can choose between providers with less expensive Care Management services or to select providers that provide a premium service. It also greatly assists the provision of Care Management in ‘thin markets’ including many rural areas where services are provider costs are higher.

> **Support at Home should retain the current variable approach to Care Management fees with a maximum of 20%.**

The social and economic arguments for these changes are comprehensive and are further detailed in an attachment to this letter. The evidence clearly demonstrates why an investment in home-based care will better meet the needs of older Australians and reduce long-term government expenditure on aged care.

If the government does not align support at home with residential care funding, many community organisations will either stop providing services to higher needs and disadvantaged older people, or close their doors altogether. We are sure this government does not want this outcome, ultimately ending with older Australians prematurely entering residential care against their wishes.

We strongly encourage your government to recognise the benefits in an improved funding approach for the Support at Home program.

Sincerely,

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Attachment

Older Australians Deserve Better Support at Home

1. **Individual Funding**

Issue:

The limitations of the current Home Care Package (HCP) program are well understood. Once a person's needs extend beyond $61,000 per year, if they cannot afford to self-fund additional support, their only option is residential care.

Often, the saving grace is the ability to top up using unspent funds from earlier years when a person's needs were lower. When the unspent funds run out, if there is no family nearby, older people are forced to move into hospital or move directly into residential care.

The new Support at Home program is proposed to have eight classification levels for ongoing care including clinical care, independence supports and everyday living. However, the highest proposed level offers a maximum of $78,000 per year for ongoing support. That's just $17,000 more than the current maximum. At the current national average hourly rate, that's an extra 4 hours of standard weekday support per week.

Under Support at Home as it is currently envisaged, participants will no longer have unspent funds from earlier years to help top up their support. Budgets will be released quarterly with a maximum rollover from one quarter to the next of $1,000 - an extra hour a week for the quarter.

Support at Home will also require participants to contribute 5% towards their personal care and 17.5% towards everyday living such as domestic support. That equates to about 15% of the fortnightly single pension. Participant payments do not add extra revenue to the system but reduce the government's contribution.

The proposed program will create two tiers amongst older Australians who need support. Those who self-fund will be able to remain at home while older people with lower means will be forced into residential care. This will disproportionately impact older women with lower superannuation balances and a very diverse range of disadvantaged older people.

The Aged Care Royal Commission (ACRC) recommended that older people should receive *'an entitlement to all forms of support and care which the individual is assessed as needing'* (Recommendation 25). The ACRC found that: *'Older people overwhelmingly prefer to remain living in their own homes. In the current system, however, older people are not well supported in this preference. Significantly more funding will need to be available to older people to allow them to access more care in the home for longer.'*

The ACRC concluded: *'We consider that the most appropriate limit to be placed on the funding a person should be entitled to receive for care at home is the value of the care component of the funding that the Australian Government would provide for them in a residential care setting. This level of funding may mean a person will be able to remain at home longer, and may be able to remain at home until the end of their life.'*

When you subtract facility related costs, the highest care payment level in residential care is currently $132,867.

Providing a higher level of care at home will reduce the overall government funding burden, as there is no government contribution to housing or everyday living costs when people live in their own homes. Providing a higher level of care will also meet the expressed wishes of the majority of older Australians to remain living in their homes.

The government is proposing to make $600 million over two years available in 'thin market' grants to HCP providers as the Support at Home Program commences. The thin market grants will not be integrated into the Support at Home pricing system and will produce random grant-based outcomes.

If the government does not align Support at Home with residential care funding many community organisations will either stop providing services to higher needs and disadvantaged older people. We are sure this government does not want this outcome with older Australians prematurely entering residential care against their wishes.

Solution:

Using the Aged Care Royal Commission's recommended funding formula:

The top level of Support at Home funding for individuals should be raised to $132,000.

2. Care Management

Issue:

According to the Department of Health & Aged Care, Care Management ensures recipients receive the appropriate level of support in a way that meets their current and future care needs. This may include ensuring a care recipient receives safe and effective personal care and/or clinical care, organising the delivery of services, and ensuring the supports they receive are safe.

The current Support at Home proposal is to cut Care Management fees to a 10% maximum of total package value.

The latest DOHAC Quarterly Financial Snapshot of the aged care sector shows providers (under the current variable rate system) are charging Care Management at an average of 17%, where the maximum rate is currently set at 20%. The Care Management percentage per HCP remained the same for all HCP levels when compared to quarter 3, 2022-23.

The 17% average allows some providers to charge higher fees to take into account consumer preferences and the additional cost of rural service provision, organisational size and the disadvantage faced by groups such as First Nations and CALD Australians.

The current system has successfully enabled consumer choice where older people can choose providers with less expensive Care Management services or to select providers that provide a premium service. It also greatly assists the provision of Care Management in 'thin markets' including services to disadvantaged groups and in many rural areas where provider costs are higher.

It is worthwhile noting that a number of low-cost Care Management providers who have chosen to charge lower fees (many around 10%) have been successfully growing their businesses in this system. However, many services in thin markets have needed higher levels of Care Management funding to continue to provide services in high-cost environments.

The StewartBrown FY24 survey data on Care Management shows:

- Care Management staffing amounts to 0.95 hours per client per day.
- This is 18.2% of total hours, which are 5.23 hours per client per day.
- HCP revenue is $78.44 per client per day and HCP costs are $75.14 per client per day, meaning the total margin is $2.76.
- Care Management costs are $7.94 or 10.1% of overall costs.[1]

StewartBrown noted that in FY24, Care Management revenue was $14.60 a day. Based on StewartBrown's forecasts, this will drop to $9.09 post-reforms from 1 July 2025, a 38% reduction. If Care Management costs are assumed to stay the same at $7.94, this will reduce providers' margins down from $6.67 to only $1.15.

To maintain the sector's current overall financial situation the provider margin in pricing on the Support at Home price list (now due to be released in February next year) needs to be 40% - this seems a very unlikely outcome.

The same as in residential care, managing care at home needs to take into account the cost of rural service provision, organisational size and the disadvantage faced by groups such as First Nations and CALD Australians. The funding also needs to incorporate support for older people to manage navigating the complex aged care system.

[1] Stuart Hutcheon, Home Care Packages FY24 National Summary Results Analysis, StewartBrown 2024 Finance Forum.

HCP services in regional and rural areas underperform their metropolitan counterparts financially. In 2022-23, average Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) was $908 per recipient in regional Australia, compared to $1,025 in metropolitan areas. Providers that operated across both metropolitan and regional areas had the highest EBITDA at $1,043.[2]

Overall, the Operating Result of home care providers reached a 5-year low of $1.77 per client per day in December 2023, down from a provider average of $3.15 per client per day in December 2022 (a decrease of 43.8%). The Operating EBITDA for home care providers in December 2023 was $802 per client per annum, down from an average of $1,298 in December 2022 (a slightly smaller decrease of 38.2%).[3]

A recent Aged & Community Care Providers Association survey found 37% of small aged care providers (with staff of less than 50 people) were not confident of remaining in business by 2027.[4] In total, one in six providers weren't confident they could continue to operate by 2027.

The current Support at Home proposal to cut Care Management fees to 10% will result in a significant reduction in services in rural areas and for groups such as First Nations and CALD Australians. We believe a significant number of smaller Care Management providers will not survive this cut.

Solution:

Support at Home should retain the current variable approach to Care Management fees with a maximum of 20%.

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[2] https://www.health.gov.au/sites/default/files/2024-08/financial-report-on-the-australian-aged-care-sector-2022-23.pdf

[3] https://opus.lib.uts.edu.au/bitstream/10453/179532/2/UARC_Australias%20Aged%20Care%20Sector%20Mid%20Year%20Report%202023-24.pdf

[4] https://accpa.asn.au/extlink/report/ACCPA-State-of-the-Sector-Aged-Care-2024-Report.pdf